

Union Bank Limited Rating Action *Surveillance* **A+** Long Term Rating **ST-2** Short Term Rating

Stable Outlook

Date of Declaration 17 June, 2021

Valid Till 16 June, 2022

Business Risk Moderate	Solvency Score Moderate	Asset Quality Good	Profitability Moderate	Management Quality High	Capital Adequacy Adequate
Industry Group Financial Institution					

As an Islami Shariah based Bank, Union Bank Limited has been growing smoothly with a positive attitude to compete with other Banks and FI

Previous Rating

Long Term Rating: **A+**

Short Term Rating: **ST-2**

Outlook: **Stable**

Date of Declaration: **18 June, 2020**

Valid Till: **17 June, 2021**

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Date of Incorporation: March 07 2013

Chairman:

Mr. Ahsanul Alam

Managing Director:

Mr. A. B. M. Mokammel Hoque Chowdhury

Authorized Capital: BDT 10,000.00 million

Paid Up Capital: BDT 5,589.34 million (As on 31 December, 2020)

Total Asset: BDT 209,949.10 million (As on 31 December, 2020)

Total Liabilities: BDT 200,793.48 million (As on 31 December, 2020)

Total shareholder equity: BDT 9,155.62 million (As on 31 December, 2020)

Rationale

AlphaRating re-affirms long-term rating of **A+** (pronounced as single A plus) and short-term rating of **ST-2** in favor of Union Bank Limited (herein after referred to as "UBL" or "the bank"). The outlook of the rating is **Stable**. This rating has been assigned by considering the financial performance for the last four years of the bank till 31st December, 2020 and other qualitative information till rating declaration date which has both favorable and unfavorable impact.

The rating has considered improvement in assets base marked by noticeable growth in investment, well diversified investment portfolio, increasing deposits from customers, adequate provision against all investment, decreasing non performing investment, increasing average earning asset, increase in net profit after taxation, quality of management team etc. In addition to the financial performances, UBL has also performed well in non-financial sectors such as placing experienced and well qualified management team, undertaking corporate social activities and geographic & business line diversification, which further boosted the qualitative aspects of UBL. Along with this, good internal control, investment, import, export positively impacted the rating.

Despite having this good contributor there are some issues that restrained the rating process. Such as lower CRAR than the regulatory requirement of 12.50% (including Capital Conversion Buffer), increasing rescheduled amount, low investment to deposit ratio compared to the regulatory requirement, single party investment risk exposure, negative liquidity gap in 1 to 3 months & 1 to 5 years, lower ROA & ROE than industry average etc.

Asset Quality & Operating Summary (BDT in Millions if applicable)

	2020	2019	2018
Total Assets	209,949.10	180,023.95	148,583.77
Gross Investment	166,337.20	146,459.57	119,934.39
Investment Growth (%)	13.57	22.12	19.04
Pre Tax Profit	2,223.42	1,479.47	1,753.69
Net Investment Income	5,448.15	4,423.26	3,967.13
Non-Investment Income	510.97	784.63	472.44
Cost Income ratio (%)	45.99	48.00	47.53
Profit Spread (%)	3.77	3.62	3.78
Investment/ Customer deposits (%)	90.22	92.48	96.03
Gross NPI Ratio (%)	2.53	3.64	0.97
CRAR (%)	11.21	12.24	10.24
Cost of Fund (%)	10.55	11.08	10.31
Post Tax ROA (%)	0.47	0.36	0.68
Post Tax ROE (%)	10.80	7.29	12.92

Data obtained from audited financial statements of 2018-2020

Instead of these negative issues, AlphaRating has reaffirmed the above rating in favor of Union Bank Limited (UBL) by considering the way of asset quality management and future prospects.


Pranabesh Roy, FCCA
Chief Strategy Officer
Alpha Credit Rating Limited